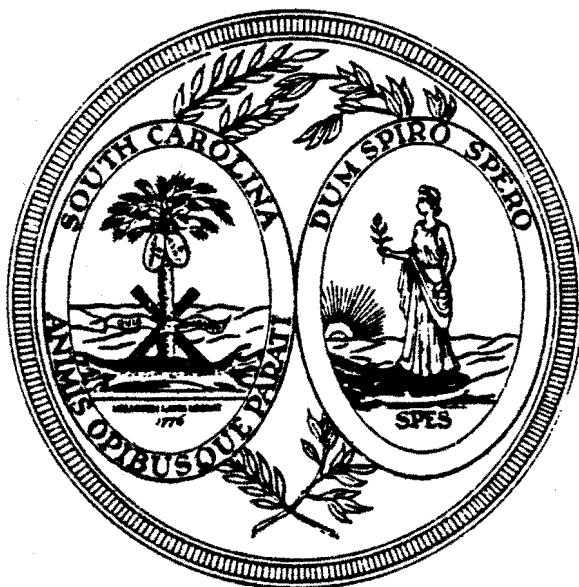


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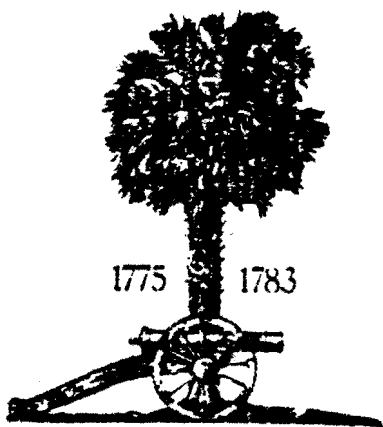


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The State of South Carolina
General Assembly
Legislative Audit Council
A Study of the Proposal for
Consolidated Travel Voucher
Processing for Lump Sum Agencies
September 10, 1981

THE STATE OF SOUTH CAROLINA

GENERAL ASSEMBLY

LEGISLATIVE AUDIT COUNCIL

A STUDY OF THE PROPOSAL FOR CONSOLIDATED

TRAVEL VOUCHER PROCESSING FOR

LUMP SUM AGENCIES

The Legislative Audit Council wishes
to acknowledge the assistance and cooperation
of Mr. Thomas Linton and the staff of the
Legislative Council in the printing of this
report.

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S-573: CONSOLIDATED TRAVEL

INTRODUCTION

Concurrent Resolution S.573 of April 17, 1980, requested the Legislative Audit Council "to make a comprehensive study to determine the advantages and disadvantages to the State of bringing the processing and reimbursement of travel vouchers belonging to the Department of Highways and Public Transportation, all state-supported colleges, universities and technical education schools into the Comptroller's centralized (accounting) system and present the conclusions and recommendations of the study in a report to the General Assembly...". A copy of the Resolution is enclosed as Appendix I.

SCOPE AND METHODS

The review focused on the two concerns cited in the Resolution. The first goal was to determine whether unnecessary duplication exists and, if so, can cost-savings be achieved through its elimination? The second focus was to determine whether accountability for travel expenditures could be improved through requiring colleges, universities, technical colleges, and the Highway Department, to send their employees' individual travel reimbursement requests through the State's central accounting system for payment.

Officials from each of the agencies cited in the Resolution were interviewed by Audit Council staff. Agency travel policies and procedures, system controls, and management controls were examined and flow-charted. Data were obtained relating to the volume, cost, and time involved in processing disbursement vouchers within each agency. The

results of the fieldwork were compared with similar information gathered from the offices of the State Comptroller General, the State Auditor, and the State Treasurer.

SUMMARY OF FINDINGS

Introduction

Following are summary discussions of three policy issues which emerged from the research. The recommendations relating to these issues are located at the end of the report.

Conflicts in Accounting System Policy

South Carolina's system of appropriating, budgeting and accounting is characterized by a mixture of methods and management philosophies. The Audit Council's review of "advantages and disadvantages to the State" of consolidated travel voucher processing had to take these differing operational characteristics into consideration. In addition, the system has been undergoing a series of changes during the last few years. For purposes of this report the system can be described as being made up of two kinds of state agencies: Lump Sum Agencies and Non-Lump Sum Agencies. These agency types represent two different philosophies or policies of fiscal management.

Prior to FY 79-80, the Appropriations Act line items for Lump Sum Agencies did not correspond to the major budget code categories of the accounting system used by the State Budget and Control Board. Six of the codes, Contractual Services, Supplies, Fixed Charges and Contributions, Contingencies, Equipment, and Permanent Improvements, were aggregated into one line item called Other Operating Expenses. The State Comptroller General and State Treasurer maintained these Accounts. The agencies would draw down a "Lump Sum" from the State account, credit it to their own bank account, and issue their own checks to cover expenses incurred for operations. Beginning in FY 79-80, the Appropriations Act

format was revised so that appropriations for Lump Sum Agencies' operations appeared with five additional line items: Contractual Services, Supplies, Fixed Charges and Contributions, Contingents, and Equipment. In the FY 80-81 Act, Travel was separated from Contractual Services and was appropriated as an individual line item.

In contrast, detailed accounts for the Non-Lump Sum Agencies are set up on the State Comptroller General's books with beginning balances which correspond to the line items of the Appropriations Act. When an expense is incurred, payment is made by the agency submitting a disbursement voucher with appropriate supporting documents to the State Comptroller General. The voucher is audited and, if approved, the Comptroller issues a warrant to the State Treasurer. The expenditure is charged to the proper agency account. Upon receipt of the warrant the State Treasurer issues a check in the name of the payee. Ordinarily the agencies pick up the checks from the Treasurer's office and distribute them to the employees.

If a Non-Lump Sum Agency wishes to transfer funds from the budget in one line item account to another, approval must be requested from the Budget and Control Board. This requirement also applies to the Lump Sum Agencies. However, prior to FY 79-80, the Budget and Control Board had no control over internal transfers between operating accounts in Lump Sum Agencies since there was only one line item appropriated for their operating expenses. The Department of Highways and Public Transportation is the only Lump Sum Agency which, in the Appropriations Act, is granted specific authority to make internal transfers across line item appropriations without first obtaining Budget and Control Board approval.

The increase in appropriations detail is a significant advance in the potential for improved accountability. It represents a more detailed

and precise statement of legislative intent in regard to the allocation of funds for operations in Lump Sum Agencies. The State Comptroller General's Office now sets up major accounts on the State books for the Lump Sum Agencies which correspond to each of the line items in the Appropriations Act. If the Lump Sum Agencies' internal accounts also are set up to correspond to the line items, and if their lump sum withdrawals are placed into the proper accounts, a complete audit trail will be established. Without an audit trail, there can be no public accountability.

Since the changes in the format of the Appropriations Act, the State Auditor has begun to issue criticisms in management letters to Lump Sum Agencies where internal budget transfers have been made across appropriated line items without obtaining Budget and Control Board approval.

Does Unnecessary Duplication Exist?

Each of the agencies examined has comprehensive travel reimbursement procedures. Most employ a travel authorization form which must be approved by various management personnel before a trip can be taken. After appropriate internal review and approval of a travel reimbursement request, the institution issues the employee a check for reimbursement of travel expenditures incurred during authorized travel. In accordance with the Fiscal Accountability Act (Sections 1-1-910 through 1-1-1010 of the 1976 Code as amended), each of these agencies submits a quarterly report to the Legislative Audit Council showing expenditures made for the travel of each employee. Beginning in FY 81-82, in accordance with the Model Procurement Code (Act 148, of 1981), these reports will go to the Comptroller General. There is no duplication of these procedures at

the State level under the existing system. If the colleges, universities, technical colleges, and Highway Department were required to submit their travel reimbursement vouchers (requests) to the Comptroller General, a certain amount of unnecessary duplication and delay in payment would occur. The only step not duplicated would be the writing of a check to reimburse the employee. In addition, the Comptroller General's Office would need an increase in staff and data processing equipment to handle the growth in voucher volume.

Can Accountability Be Increased?

The Audit Council used the following criteria in assessing whether consolidation of travel voucher processing would improve managerial accountability for the expenditure of travel funds. The first consideration is that accountability involves ensuring prudent stewardship of public funds. Immediate supervisors and ultimately, agency managers, are responsible for authorizing employee travel on the condition that it is necessary and in the best interests of the State. They, and the employees filing travel claims, also are responsible for ensuring that the travel reimbursement process complies with State rules, regulations, and laws. The second criterion applied was to assess whether consolidation of travel voucher processing would permit determining if travel expenditures, in Lump Sum agencies and the technical colleges, are made in accordance with the Appropriations Act.

Supervisors and agency managers who are responsible for the allocation of program funds are in the best position to ensure that when official trips are made by State employees, the trips are necessary and in the best interests of the State. These issues involve decisions made by agency management. The managers are held accountable through the

post audit process as to whether abuse or poor management has occurred. Program evaluations and management reviews examine the efficiency, effectiveness, and economy of management and operations. A review of a travel reimbursement request at the State level can be expected to add little, if any, improvement to managerial accountability for the expenditure of travel monies. Accountability at the State level is established through a system whereby it can be readily determined that one or both of the following has occurred: (1) the expenditures violate a rule or regulation of the Budget and Control Board; (2) the expenditures made were contrary to or in excess of the provisions in the Appropriations Act.

As for the first criterion, each of the agencies examined uses the travel rules published by the Budget and Control Board as the basis for its internal system of travel rules and policy. Because the pre-audits and review at the agency level are looking for adherence to the same rules, an additional review at the State level could be expected to add only minimal improvement in accountability.

The second criterion can be met if the line items in the Appropriations Act are in enough detail. As long as the Act's line item detail corresponds to at least the major budget codes of the State's accounting system, and agencies are required to obtain State approval to make transfers across line items, auditors can establish whether agencies are in compliance with the Appropriations Act.

Conclusion

Based on the review of the current procedures for travel reimbursements, State budgeting and appropriating, the Audit Council concludes

that further consolidation would not be useful at this time. The increased detail of the Appropriations Act has resolved the major issues raised in Concurrent Resolution S-573. However, the State will continue to experience changes in its accounting practices with the implementation of a modern accounting system - the new State Accounting and Reporting (STAR) system. The following recommendations are made in anticipation of the STAR system's impact.

RECOMMENDATION

THE NEW STATE ACCOUNTING AND REPORTING SYSTEM (STARS) WHEN COMPLETELY OPERATIONAL WILL HAVE CAPABILITIES WHICH WILL PERMIT MONITORING OF THE DETAILS OF INTERNAL TRANSFERS IN LUMP SUM AGENCIES. IF THE GENERAL ASSEMBLY WISHES TO MONITOR LUMP SUM AGENCY COMPLIANCE WITH LINE ITEMS IN THE APPROPRIATIONS ACT, SUCH AS TRAVEL, IT SHOULD: (1) REQUIRE THE MONITORING CAPABILITIES OF THE STAR SYSTEM TO BE IMPLEMENTED WITHIN THE NEXT TWO FISCAL YEARS, (2) REQUIRE THAT THERE BE AGREEMENT BETWEEN LUMP SUM AGENCY BUDGETS, LINE ITEMS IN THE APPROPRIATIONS ACT AND THE STATE'S BUDGET CODES AND, (3) REQUIRE THAT TRANSFERS BETWEEN APPROPRIATED LINE ITEMS WITHIN LUMP SUM AGENCIES RECEIVE PRIOR APPROVAL FROM THE BUDGET AND CONTROL BOARD.

S 573 APPENDIX I

Title To Conform

Concurrent Resolution

By Mr. Harris P. Smith

A Concurrent Resolution

APR 17 1980

TO REQUEST THE COMPTROLLER GENERAL, IN COORDINATION WITH THE STATE TREASURER AND STATE AUDITOR, TO IMPLEMENT A CENTRALIZED SYSTEM FOR PROCESSING AND REIMBURSEMENT OF TRAVEL VOUCHERS FROM EMPLOYEES IN LUMP SUM AGENCIES WITH THE FIRST PHASE OF IMPLEMENTATION TO BEGIN AS SOON AS PRACTICABLE, BUT NOT BEFORE JULY 1, 1979.

IN THE SENATE

DATE

ORDERED

Introduced JUN 12 1979

Without Reference

H.C. Harris Smith

Considered JUN 15 1979

Adopted

22 1980

tion of Mr. H.C. Harris Smith the Senate
d to the amendments made by the House of
sentatives and a message was sent to the House
dingly. ~~On June 14, 1979, the title was changed to~~
~~of an Act and the Act enrolled for ratification.~~

SENT TO HOUSE

By Order of the Senate

James P. Fields, Jr.

Clerk

James P. Fields, Jr., Clerk of the Senate

IN THE HOUSE

DATE

ORDERED

Introduced JUN 19 1979

W. F. M.

Considered APR 03 1980

FAV. WITH AMEND

APR 17 1980

@ + APR 17 1980

Favorable with
amendments
4/17/80
Tom [unclear]

CONCURRED IN
as Amended

and RETURNED to SENATE
By Order of the House

Lois J. Shealy

Clerk

IN THE SENATE

House Amendments agreed to and a message sent accordingly

Concurrence of House RECEIVED AS INFORMATION.

[Signature]

Clerk

Copies Sent to

James P. Fields, Jr. 4/30/80 [unclear]

Amend Title To Conform

W. L. Fisher
APR 17 1980

A CONCURRENT RESOLUTION

TO REQUEST THE COMPTROLLER GENERAL, IN COORDINATION WITH THE STATE TREASURER AND STATE AUDITOR, TO IMPLEMENT A CENTRALIZED SYSTEM FOR PROCESSING AND REIMBURSEMENT OF TRAVEL VOUCHERS FROM EMPLOYEES IN LUMP SUM AGENCIES WITH THE FIRST PHASE OF IMPLEMENTATION TO BEGIN AS SOON AS PRACTICABLE, BUT NOT BEFORE JULY 1, 1979.

Whereas, the Department of Highways and Public Transportation, all state-supported colleges, universities and technical education schools are Lump Sum agencies; and

Whereas, these Lump Sum agencies maintain internal systems for the processing of travel vouchers, reimbursement, and reporting of travel expenditures; and

Whereas, the Comptroller General currently maintains an automated system for the processing of travel vouchers, reimbursement, and reporting of travel expenditures for all state employees except

those in Lump Sum agencies; and

Whereas, the Lump Sum agencies maintain automated systems for the processing of travel vouchers, reimbursement, and reporting of travel expenditures; and

Whereas, the General Assembly wishes to eliminate unnecessary and costly duplication, and improve present levels of accountability, efficiency and effectiveness; and

Whereas, centralization of the management of travel voucher processing and reimbursement will facilitate the State's ability to monitor and place appropriate limits on unnecessary travel as the growing fuel shortage may require; and

Whereas, centralization of the management of travel voucher processing and reimbursement will facilitate conversion to the Statewide Accounting and Reporting System; and

Whereas, the Department of Corrections, the Department of Mental Health and the Department of Mental Retardation as Lump Sum agencies currently maintain internal systems for processing of travel vouchers, reimbursement, and reporting of travel expenditures. Now, therefore,

Be it resolved by the Senate, the House of Representatives concurring:



OFFICE OF THE
COMPTROLLER
OF THE
TREASURY

That the Comptroller General in coordination with the State Auditor and the State Treasurer is requested to bring the processing and reimbursement of travel vouchers in these three Lump Sum agencies into the Comptroller's current centralized system as soon as practicable, but not before July 1, 1979.

Be it further resolved that funds appropriated to these three Lump Sum agencies for the purpose of payment of travel costs are requested to be held in the State Treasury in a manner designated by the Comptroller General and be disbursed upon the proper warrant of the Comptroller General.

Be it further resolved that the Legislative Audit Council is requested to make a comprehensive study to determine the advantages and disadvantages to the State of bringing the processing and reimbursement of travel vouchers belonging to the Department of Highways and Public Transportation, all state-supported colleges, universities and technical education schools into the Comptroller's centralized system and present the conclusions and recommendations of the study in a report to the General Assembly in time for the opening of the next legislative session.

House Assembly By Stephen C. Orr

Speaker of the House

APR 17 1980